



NORFOLK

Office of the City Manager

July 1, 2015

**Honorable Mayor and City Council
City of Norfolk, Virginia**

I respectfully present to you the Approved Fiscal Year (FY) 2016 Financial Plan for the City of Norfolk, which is comprised of the General Fund, Enterprise Funds, Special Revenue Funds, Internal Service Funds, Capital Improvement Plan (CIP), and the Annual Plan for the Housing and Urban Development (HUD) Block Grant programs. At the May 19, 2015 City Council meeting the Amendments to the Proposed FY 2016 Budget were approved. The approved changes impacted the General Fund and the Capital Improvement Plan (CIP). The table below illustrates the final Approved Fiscal Year 2016 Financial Plan:

Fiscal Year 2016 Financial Plan	
Fund	Approved Budget
General Fund	\$812,379,121
Enterprise Funds	\$133,696,707
Special Revenue Funds	\$58,319,152
Internal Service Funds	\$101,379,527
Total Operating Funds	\$1,105,774,507
Capital Improvement Plan	\$155,505,200
Total Operating and Capital Funds	\$1,261,279,707
Annual Plan for HUD Block Grants	\$5,346,976
Total Financial Plan	\$1,266,626,683

The Approved FY 2016 Budget is the culmination of our joint efforts to achieve a leaner government, while providing and maintaining more effective services to our neighborhoods and most vulnerable citizens. To continue to move the city forward, the Approved FY 2016 Budget focuses on our priorities with emphasis on Economic Vitality and Workforce Development and Safe, Healthy, and Inclusive Communities. Accordingly, the Approved Budget includes new economic and neighborhood

development programs to revitalize our communities, foster job growth, and encourage economic opportunities.

The Approved FY 2016 Budget is structurally balanced for the second year in a row. To assist in reaching this goal, the city departments have worked hard the last five years identifying efficiencies and reengineering processes to streamline and improve service delivery. As a result of these efforts, we have exhausted the immediate savings available to support new projects or initiatives. For future initiatives beyond our current level of services, we will need to identify new sustainable revenue to support them. Simultaneously we must maintain fiscal integrity and continue planning for the future financial impacts.

The Approved FY 2016 Budget was viewed through a two-year lens to better assist the city in future fiscal planning across all segments of city operations. Thus, as we plan new projects we will ensure the accountability for future financial impacts of new and ongoing services and projects. We continue to be optimistic that we are on the right path to maintain fiscal stability and continuity of services to our citizens.

Operating Adjustments

As a result of the amendments made by the City Council, the changes from the Proposed FY 2016 Budget to the Approved FY 2016 Budget total approximately \$2.9 million. These adjustments include a combination of additional revenue and expenditure savings. Even with the addition of \$2.9 million, the Approved FY 2016 Budget is still \$5.5 million less than last year's Approved Budget.

The table below illustrates the changes to the General Fund for the Approved FY 2016 Budget.

General Fund Revenue Adjustments	
Proposed FY 2016 General Fund Budget	\$809,501,107
Updated fourth quarter real estate tax revenues	\$404,300
Additional Business, Professional, Occupational, License Revenue (BPOL)	\$300,000
Revenue from sale of property	\$350,000
NPS FY 2014 Construction, Technology, and Infrastructure Program (CTI)	\$246,600
NPS Adjusted Average Daily Membership (ADM)	\$577,114
NPS FY 2016 revised expenditure savings carryforward	\$1,000,000
<i>Subtotal of Revenue Adjustments</i>	<i>\$2,878,014</i>
Approved FY 2016 General Fund Revenue Budget	\$812,379,121

Operating Expenditure Adjustments as recommended by the City Council include modifying the one-time supplement for retirees. The Proposed Budget included a one-time supplement of \$300 to those retirees with 15 years of service or disability retirement who are currently receiving an annual benefit of \$15,930 or less (the federal poverty level for a family of two) with a retirement date of July 1, 2014, for an estimated 650 retirees. The amendment raised the annual benefit eligibility to \$24,250 (reflecting the federal poverty limit for a family of four). This change adds an additional 564 retirees receiving the supplement. It increases the needed General Fund support by an additional \$115,000 for a total of \$365,000 from the General Fund. The revised total of retirees effected is 1,214.

The Proposed Budget recommended \$250,000 to continue the Poverty Commission initiatives. The City Council approved an additional \$250,000 for the Poverty Commission for a total appropriation of \$500,000 in FY 2016.

The Approved FY 2016 Budget meets the approximately \$4.8 million for the Norfolk Public School (NPS) Board's FY 2016 request. This includes \$2.1 million in additional resources identified by NPS within their current operating budget as well as support from the city. The city funds reflect \$1.5 million in Construction, Technology, and Infrastructure Program (CTI) support included in the Proposed Budget, and \$550,000 in newly identified savings from fuel and healthcare costs.

The tables below illustrate the resource and expenditure adjustments as a result of the above actions.

Operating Budget – Revenue and Resource Adjustments and Redistributions	
Additional Real Estate Tax Revenue	\$404,300
Adjusted BPOL Tax Revenue	\$300,000
Revenue from sale of property	\$350,000
Undesignated Balance	\$1,000,000
NPS Construction, Technology, and Infrastructure Program (CTI)	\$246,600
NPS Additional Revenue	\$1,577,114
Total Adjustments	\$3,878,014

Operating Budget – Expenditure Adjustments and Redistributions	
Operating support (NPS revenue and expenditure savings)	\$1,577,114
One-time city support for NPS operating	\$400,000
One-time city support for NPS equipment	\$100,000
One-time city support for teacher stipends	\$50,000
Support technology or infrastructure	\$4,300
One-time CTI 2014 carryforward	\$246,600
<i>Subtotal NPS Adjustments</i>	<i>\$2,378,014</i>
Retiree supplement increase to living wage	\$115,000
Poverty Commission increase of funds	\$250,000
Capture healthcare savings	(\$65,000)
Support Career and Technical Education (transfer to CIP)	\$1,000,000
Support Denby Park initiatives (transfer to CIP)	\$200,000
<i>Subtotal City Adjustments</i>	<i>\$1,500,000</i>
Total Adjustments	\$3,878,014

Capital Adjustments

The Capital Improvement Plan (CIP) adjustments total \$2.4 million. An additional \$500,000 is dedicated for school maintenance and \$1.0 million to establish the Career and Technical Education (CTE) program. The remaining adjustments are for infrastructure and neighborhood improvements. Specifically \$500,000 is targeted for improvements at the city's parks and recreation centers, \$200,000 for citywide dredging, and \$200,000 for improvements in the Denby Park neighborhood.

The revenue and expenditure adjustments for the Capital Budget are detailed below.

Capital Budget – Resource Adjustments	
Transfer from Operating Revenue (CTE and Denby Park Neighborhood)	\$1,200,000
Closeout FY 2015 Norfolk Studios (Single Room Occupancy –SRO)	\$500,000
Reallocate FY 2016 Norfolk Studios (SRO) Project	\$500,000
Transfer Fairmount Park Infrastructure utility costs to Water Fund	\$200,000
Total Adjustments	\$2,400,000

Capital Budget – Expenditure Adjustments	
Establish the Career and Technical Education (CTE) program	\$1,000,000
Address School Major Maintenance	\$500,000
Improve Citywide Dredging and Waterways	\$200,000
Improve Existing Community Centers	\$250,000
Improve Community Neighborhood Parks	\$250,000
Improve Denby Park Neighborhood	\$200,000
Total Adjustments	\$2,400,000

Next Steps

Since the approval of the budget, the Administration has been working on implementing the numerous new initiatives to ensure a smooth transition into the next fiscal year. Specifically, we are implementing the second year of ARMD Phase II and continuing our efforts to streamline operations and reengineering services wherever possible. We have begun the review of our economic development and neighborhood revitalization plans to launch our next steps. This includes examining the city's housing issues and outlining the implementation of the Housing Trust Fund.

We are excited with our progress and look forward to continuing to work with you and the residents. Norfolk is a vibrant city and its residents, businesses, faith based communities, and schools are committed to working together to realize the goals that are supported within this budget.

It is my pleasure to present to you the City of Norfolk's Approved FY 2016 Budget.

Sincerely,



Marcus D. Jones

City Manager



NORFOLK

Office of the City Manager

April 14, 2015

**Honorable Mayor and City Council
City of Norfolk, Virginia**

I respectfully submit to you the Proposed Fiscal Year (FY) 2016 Financial Plan for the City of Norfolk, which is comprised of the General Fund, Enterprise Funds, Special Revenue Funds, Internal Service Funds, Capital Budget, and the Annual Plan for the Housing and Urban Development (HUD) Block Grant programs. A summary of the Proposed Financial Plan is shown in the table below:

Fiscal Year 2016 Financial Plan	
Fund	Proposed Budget
General Fund	\$809,501,107
Enterprise Funds	\$133,696,707
Special Revenue Funds	\$58,319,152
Internal Service Funds	\$101,379,527
Total Operating Funds	\$1,102,896,493
Capital Improvement Plan	\$153,805,200
Total Operating and Capital Funds	\$1,256,701,693
Annual Plan for HUD Block Grants	\$5,346,976
Total Financial Plan	\$1,262,048,669

The Proposed FY 2016 General Fund Budget is \$809.5 million. This is \$8.3 million (one percent) below last year's Approved Budget. This marks the second year in a row that our proposed General Fund Budget has declined from the prior fiscal year. This trend is the culmination of our efforts to achieve a leaner government, while providing and expanding more effective services to our neighborhoods and most vulnerable citizens. The submission of the Proposed FY 2016 Budget represents the fifth year of a thorough reengineering effort of our city departments and streamlining service delivery. We have now reached a point where we must identify other sources of support to take on new initiatives.

This year was extraordinary in meeting our financial and program goals and provides a solid base from which to move forward. The budget I am presenting to you is structurally balanced for the second year in a row. This was accomplished by keeping our costs down through judicious management and with no increases in the real estate tax rate. This budget protects our cash reserves and minimizes use of one-time funds. In doing so, we position our city for a more stable future. This budget exemplifies who we are, what we want to do and be, and supports a thriving community for all who live, work and visit here.

The Hampton Roads region encompasses 1.7 million people and the City of Norfolk is its economic engine. Norfolk hosts 205,150 jobs drawing people each day from the entire region. In fact, 60 percent of our workforce comes from other Hampton Roads localities. Norfolk is the cultural hub of Hampton Roads, with the Chrysler Museum of Art, the Attucks Theatre, the Harrison Opera House, Chrysler Hall, Scope, and the award-winning Slover Library. Norfolk is the educational hub for the region, and home to five institutions of higher learning. Norfolk is unquestionably the heartbeat of the region. From the buzzing art galleries of the Ghent neighborhood to the cutting-edge exhibits at Chrysler Museum to the hum of academic, artistic, and athletic life at Old Dominion University, the City of Norfolk entertains millions of visitors every year with a dazzling depth and variety of artistic, athletic, and cultural offerings.

Norfolk, as a vibrant port city, leads the way as the most multi-modal city in Hampton Roads, offering the Tide - Virginia's first Light Rail system, a comprehensive bus service, the downtown Norfolk ferry, a professionally maintained network of bike-friendly roads, the Norfolk International Airport, and the Half-Moone Cruise Terminal. In Norfolk, you can walk, fly, boat, bike, cruise, drive, or take a train to your favorite art gallery, festival, hockey game, baseball game, award-winning play, or opera. Norfolk has a diverse citizenry and is rich in history. This budget supports our diversity and the dynamic urban living experience Norfolk offers.

GUIDING PRINCIPLES

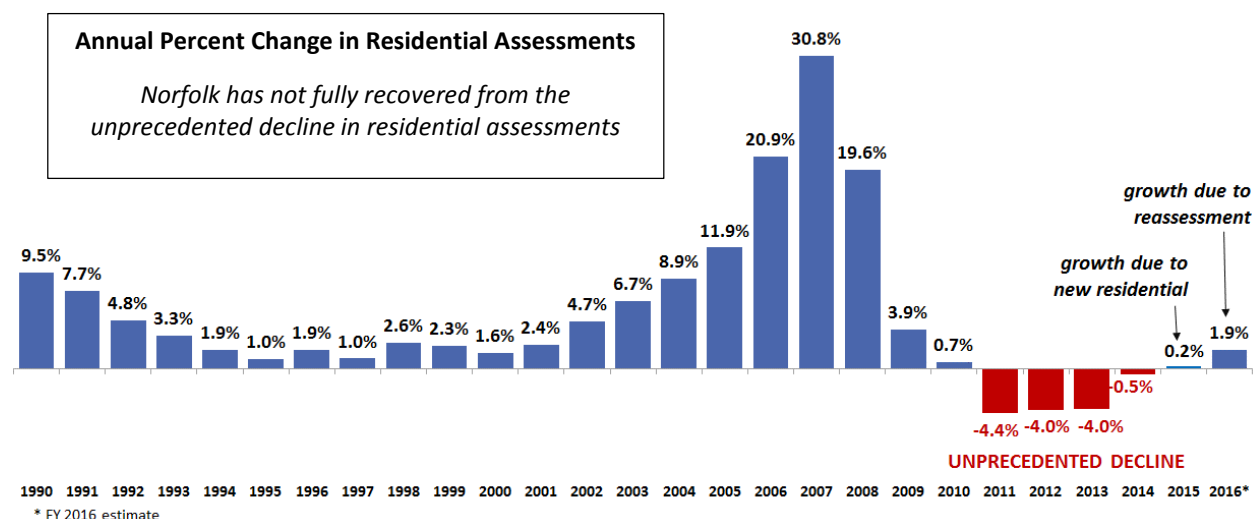
The Proposed FY 2016 Budget continues the city's efforts of the past five years to be a Well-Managed Government. As in prior years, the budget was developed using a five-pronged approach that analyzes ways to raise revenues, reduce expenditures, become more efficient, grow the economy, and share services. While all our priorities are important, the Proposed Budget focuses on two: Safe, Healthy and Inclusive Communities and Economic Vitality and Workforce Development. The following initiatives highlight the elements of the Proposed FY 2016 Budget that increase overall city performance and strengthen our financial position:

- ✓ Provides resources for community-wide initiatives, such as poverty reduction and resiliency;
- ✓ Redirects the federal Housing and Urban Development (HUD) funds to support low income housing and small, women, and minority-owned business development;
- ✓ Creates a housing trust fund to address the need for affordable housing;
- ✓ Encourages the spirit of entrepreneurship by exempting new small businesses and startups from the business license tax in their first two license years;
- ✓ Provides funds to explore increasing high speed internet access;
- ✓ Increases the support of the Complete Streets initiative, which promotes safe access for all users including pedestrians, bicyclists, motorists, and transit users of all ages and abilities ("Develop Bicycle, Pedestrian Greenways, Sidewalks, and Complete Streets" CIP project), supported by a vehicle license fee increase of five dollars;
- ✓ Expands youth programs, like Norfolk Emerging Leaders (NEL);
- ✓ Engages employees and residents year-round in the budget development process;

- ✓ Furthers our commitment to becoming an “employer of choice” with the implementation of the second phase of the Attraction, Retention, Motivation, and Development (ARMD) initiative;
- ✓ Continues to manage and contain major cost drivers, including retirement, healthcare, fuel, and debt;
- ✓ Provides a one-time supplement of \$300 to eligible retirees;
- ✓ Empowers departments to reengineer operations for a more innovative, creative, and streamlined government;
- ✓ Continues to utilize in-house analysis teams to identify further opportunities for operating efficiencies in areas such as records management, staffing of Communications and Technology, and support functions for the Department of Public Works;
- ✓ Increases funding for repairing and maintaining our aging city buildings to begin addressing the anticipated findings of the first phase of the Comprehensive Building Assessment Study; and
- ✓ Maintains our commitment to Norfolk Public Schools with the same level of on-going support, provides the third year of funding for the Construction, Technology, and Infrastructure (CTI) program, and full funding of the capital support needed for the five schools remaining of the city’s commitment to construct a total of six (Crossroads, Campostella, Richard Bowling at Broad Creek, Ocean View, Larchmont, and Camp Allen).

WHERE WE ARE TODAY

While the recession ended in 2009, the city has still not seen a full recovery of its financial resources. Norfolk relies heavily on real estate revenues, which have been stymied by the slow recovery of the housing market and city real estate assessments. While real estate assessments overall will increase for the third straight year in FY 2016 (it is only the second year for residential growth), it is important to note that the growth during these three years has been well below the historical average. In spite of three years of growth, overall assessments remain below the peak we reached in FY 2010. Excluding the two-cent dedication to Norfolk Public Schools for the CTI program, our real estate revenues remain below the FY 2010 level. Residential assessed values, which make up the majority of the city’s overall assessments, have only begun to rise after an unprecedented decline for four straight years. Although FY 2015 saw a modest 0.2 percent growth in residential values, the growth was mainly driven by new properties rather than reassessment of existing properties. While the average and median sales price of homes sold in Norfolk had increased in the 2012 and 2013 calendar years, residential assessments did not, lagging the market trend. In FY 2016, Norfolk’s residential values will rise for the first time in six years as a result of the annual reassessment of existing residential properties.



The Real Estate Assessor's Office indicated that, in FY 2016, fewer neighborhoods are seeing a decrease in their assessed values, and the rate of decline is much less significant than in previous years. As a result of the annual reassessment, homeowners will see an average increase of \$44 in their tax bill. However, the average homeowner will still be paying \$215 less than in FY 2010, when residential assessments were at their peak. While I am not proposing an increase in the real estate tax rate, a one-cent increase for the average homeowner would result in \$1.71 increase each month (or \$21 increase a year) but would provide about \$1.7 million in additional revenue for city priorities.

Impact on Average Homeowner's Tax Bill	
FY 2015: Average homeowner's tax bill (at \$1.15 rate)	\$2,316
FY 2016: Estimated average homeowner's tax bill (at \$1.15 rate)* Increase in tax bill (due to FY 2016 reassessment)	\$2,360 \$44
Difference from average homeowner's tax bill in FY 2010 of \$2,575	-\$215

* Based on estimate of residential assessments (with condominiums) from Real Estate Assessor and number of parcels in FY 2015.

Norfolk, like other localities, also relies heavily on state aid to help support basic city services, such as public education, human services, public safety, streets maintenance, and constitutional officers. In FY 2016, state aid comprises about 37.5 percent of the Proposed Budget, excluding Norfolk Community Services Board. In comparison, state aid comprised about 40.3 percent of the city's General Fund budget in FY 2010. That represents a reduction of about \$36.1 million in state aid. The city's state aid continues to be below pre-recession levels even though Virginia's General Fund revenues have surpassed its last peak since FY 2012. In FY 2015, the state reduced its aid-to-localities (ATL) to close its budget gap. The impact to Norfolk was about \$1.4 million which had not been anticipated in the FY 2015 Approved Budget. It is a relief that the state's approved budget for FY 2016 did not include that same ATL reduction.

Despite the limitations on its financial resources, Norfolk has steadily improved city operations while maintaining fiscal integrity and rebuilding our city from the worst national recession in decades. We received the designation as a city of resilience due to our partnerships, neighborhoods, engagement of the citizens, and our mindset. Although we are 120 neighborhoods strong, we are one community working together to build a diverse, vibrant and progressive city, while addressing the fiscal and environmental challenges which face us. Some of our most notable efforts are:

- *The Norfolk Cares IMPACT Call Center* received a national award - a *Citizen-Engaged Community for 2014-2016* by the Public Technology Institute. Local governments are challenged to provide centralized citizen contact centers that effectively provide fast, friendly, and responsive service. The IMPACT Call Center provides real-time, one-stop information and service request referral to our citizens and businesses. This empowers residents by enabling direct interaction with staff, and provides accountability through performance reporting.
- *The Colonel Samuel L. Slover Memorial Library* opened in January with 13,000 visitors the first weekend. This facility provides state-of-the-art services to our citizens through a public – private partnership with resources that document our history, inform us today, and educate our citizens for tomorrow. The American Public Works Association (APWA) Mid-Atlantic Chapter has selected the Slover Library as the Project of the Year in the *Structures Category - \$25 - \$75 Million Project*

Division. This recognition for our amazing new public library puts our city on the national radar as an exciting, progressive, and vibrant urban locality.

- The city hosted its first ever “*Better Block*” in April 2013 in the area now known as The Arts District or NEON (New Energy Of Norfolk). *Better Block* is a collaboration of community stakeholders creating temporary infrastructure, landscaping, café seating, and pop-up businesses to showcase an area that is ripe for revitalization. Our first *Better Block* was a resounding success. It catalyzed investment and since then new businesses have opened. It demonstrates how our citizens and businesses came together to create a vision for the North of Granby corridor. The corridor’s close proximity to key cultural assets and the commitment of the stakeholders has created an amazing synergy for investment and future development. We continue those efforts with *Better Block* initiatives on 35th Street and Five Points in anticipation of similar future success.
- *The Neighbors Building Neighborhoods* program continues to encourage residents to volunteer their skills and talents to the community, solve neighborhood issues, develop self-reliance, and become involved with their neighbors and improve relationships with each other. Regularly working together to plan, implement, and manage goals develops and strengthens a sense of community among residents.
- The City of Norfolk continues to be a leader in *Virginia Values Veterans (V3)* and has hired 170 veterans since it began participation in the V3 program. This number reflects our commitment to connect with the men and women who served our country. We are the only Gold Certified city in Virginia, demonstrating our commitment to recruit, hire, and retain veterans.

WELL-MANAGED GOVERNMENT

Since 2009, the Nation, the Commonwealth of Virginia, and the city have been recovering from a severe recession. The federal and state governments have begun the climb back. Norfolk and the region are not recovering at that same pace. Despite the sluggish economic recovery, the city has put a structure in place that builds on the foundation of a Well-Managed Government. Concentrating on raising revenue alone is not enough, so we took a broad-based approach. We reduced expenditures and increased our efficiency, participated in sharing services with other cities, supported efforts to grow our economy, and minimize tax and fee increases to ensure we remain on the path of financial stability.

Financial Stability

Despite our limited resources, we employ best practices to achieve a structurally balanced budget. With City Council’s approval, we updated our financial policies to be in line with our current situation. We strengthened our General Fund reserves using our surpluses, adding a cumulative total of nearly \$5.0 million since FY 2013 and most recently in this current fiscal year. All our reserves have exceeded their minimum goal and are closer to meeting their maximum goals. Although the Proposed FY 2016 General Fund Budget remains below that of FY 2010, the decline reflects a decreased reliance on one-time resources to balance the budget.

When revenues were declining, nearly \$20 million in carryforwards were used to balance the budget in FY 2014, resulting in a structural imbalance. The use of one-time resources for recurring expenses was not sustainable, so we made reductions to on-going expenditures and managed our major budget costs to get the budget back in structural balance. As a result, last year, I presented to you a budget for FY 2015 that was structurally balanced, four years ahead of schedule. By continuing to reduce expenses and contain costs of our major budget drivers, the Proposed FY 2016 Budget is again structurally balanced. We are cautiously optimistic that we will continue firmly on this path.

As a result of our structural balance for two years in a row, the budget gaps we face now are significantly less than in prior years. In the past, budget gaps recurred and, although budgets were balanced, the gaps were not really closed because of the use of one-time resources to address them. In FY 2017, the initial estimate of the budget gap is about \$5.5 million, which is below the \$9.0 million gap for FY 2016 I announced last year at this time. To put those two gaps in perspective, the previous budget gaps initially presented in the three years prior were upwards of \$20 million. By employing a two-year lens in developing the budget last year, we knew that if we did not continue to exercise fiscal restraint, maintaining structural balance in future years would likely, not be attainable. While we have become a leaner government, our capacity to take on new projects and initiatives, through further cost cutting measures, is now limited. **Sustainable revenue growth will be needed if we want to go beyond maintaining our current level of services.**

Engaging our Community

We did not make these decisions alone. We made the hard fiscal choices by engaging our citizens and employees in the process. **Community Engagement** has become a year-round activity where we hear from residents. Residents' participation in government increases legitimacy, efficiency and accountability. It creates ownership at all levels, empowers the residents and employees, engages people in decision making, and ensures transparency. Community Engagement helps improve resource management and the ability of local authorities to solve problems, creates more inclusive and cohesive communities, and increases the number and quality of initiatives made by communities. We received valuable input through ongoing dialog. We began this past summer by meeting with residents who provided input for the formulation of the FY 2015 Budget. Follow-up meetings were held with them to solicit input for the FY 2016 Budget through another round of budget balancing exercises. These gatherings provided insight into our residents' priorities and also helped them understand the difficult choices decision makers face.

In FY 2015 we started **Mission Possible** which an initiative designed to encourage transformation by fostering Well-Managed Government. Mission Possible invited city employees to provide ideas on ways to reengineer their work processes. Over 100 ideas were generated. Mission Possible teams of city staff from various departments from all levels review proposals submitted by their peers. We will incorporate the accepted ideas into our culture. Additional Mission Possible teams will review and generate reengineering ideas. I challenge the employees of this great city to continue improving their work environment and the processes we use to run our city.

RESILIENCY

In December 2013, the City of Norfolk was named one of the first 33 of the Rockefeller Foundation's 100 Resilient Cities (100RC). Over 372 applications were received from cities worldwide representing 78



countries. Rockefeller's 100RC initiative helps cities around the world become more resilient to the physical, social, and economic challenges that are a growing part of the 21st century. 100RC supports the incorporation of a view of resilience that includes not just the *shocks* – earthquakes, fires, floods, etc. – but also the *stresses* that weaken the fabric of a city on a day to day basis.

Through a community stakeholder process, Norfolk is collaboratively working on building resilience around three critical themes: living on the coast in a rising water environment, ensuring economic opportunity for all residents, and building on the Neighbors Building Neighborhoods model to support neighborhood vitality.

As one of four pilot cities in the 100 Resilient Cities network, Norfolk is using resources provided by the Rockefeller Foundation to pioneer what it means to be a resilient city. The city is developing new analytical tools and convening global experts to explore effective land use, water management, economic development and social cohesion building capabilities. As an example, in June 2015 Norfolk will host the second ever “Dutch Dialogue,” a gathering of Dutch planners, designers and engineers to create actionable solutions to complex flooding challenges.



Round One Cities

Ashkelon	Glasgow	Porto Alegre
Bangkok	Jacksonville	Quito
Berkeley	Los Angeles	Ramallah
Boulder	Mandalay	Rio De Janeiro
Bristol	Medellin	Rome
Byblos	Melbourne	Rotterdam
Christchurch	Mexico City	San Francisco
Da Nang	New Orleans	Semarang
Dakar	New York City	Surat
Durban	Norfolk	Vejle
El Paso	Oakland	

Round Two Cities

Accra	Deyang	Pittsburgh
Amman	Enugu	San Juan
Arusha	Huangshi	Santa Fe
Athens	Juarez	Santiago De Los Caballeros
Barcelona	Kigali	Santiago Metropolitan Region
Belgrade	Lisbon	Singapore
Boston	London	St. Louis
Cali	Milan	Sydney
Chennai	Montreal	Thessaloniki
Chicago	Paris	Toyama
Dallas	Phnom Penh	Tulsa
		Wellington City

Flooding and Beach Rebuilding

In addition to our work with 100RC to address our coastal flooding issues, the Army Corps of Engineers will begin an \$18.4 million beach nourishment project in FY 2016. The city's cost share of the project is \$5.5 million and will be paid over 30 years. Funds to support the beach nourishment project are proposed beginning in FY 2017. This project will repair dunes, eradicate invasive dune plants, re-vegetate with native dune grasses, and provide sand fences along seven and a half miles of the Chesapeake Bay shoreline. Norfolk's primary sand dune system protects Chesapeake Bay properties from hurricane or Nor'easter storm surge, flooding, and wave attack. This work will maintain our waterfront assets for residents and visitors to enjoy.



NEIGHBORHOOD AND ECONOMIC DEVELOPMENT

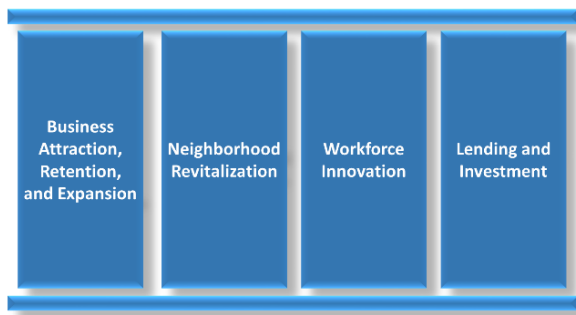
The Proposed FY 2016 Budget will introduce a number of new economic and neighborhood development tools, but more importantly it signals a dramatic shift in how we will promote comprehensive urban revitalization and foster job growth and economic opportunity for all residents.

Norfolk's complex social, economic, and neighborhood conditions require a more comprehensive and aggressive approach to economic development and neighborhood revitalization. This new model is not only based on national best practices; it also reflects an attempt to capitalize on Norfolk's competitive

advantages as the urban center of the Hampton Roads region, while also expanding our tax revenue base and strengthening overall quality of life. Therefore, the city's proposed strategic priorities consist of projects and initiatives in four key areas:

- Business development services that are now more heavily weighted toward helping local businesses expand (the principle source of job creation);
- Revitalization and reinvestment of catalytic redevelopment sites and neighborhood commercial districts;
- Workforce innovation programming that will help foster wealth creation and link targeted segments of the labor force to demand-driven employment opportunities; and
- Facilitation of access to capital through the creation of investment tools that help leverage traditional financing, and also make it feasible for potentially impactful neighborhood projects and business expansions to come to fruition.

Four Pillars of the New Comprehensive Economic Development Model



There are several distinguishing features of Norfolk's new economic development model, but the access to capital bears particular emphasis. The Proposed FY 2016 Budget embraces the creation of four unique programs that will be entirely capitalized with Community Development Block Grant (CDBG) funds and other federal resources. The proposed investment in these programs in FY 2016 will be a total of \$2.0 million for our neighborhoods and small businesses. The programs are as follows:

- **Citywide Partnership Fund:** This fund will serve as a general program to provide working capital to small, expanding businesses. It will also provide gap financing for brick-and-mortar projects, including those providing housing, retail, and commercial space. In FY 2016, \$250,000 in CDBG funds will serve as the initial investment.
- **Grow Norfolk Fund:** The Grow Norfolk Fund will serve small, women and minority-owned businesses (SWAM) and will be created in partnership with, and administered by, the National Development Council (NDC). An initial investment of \$250,000 in CDBG funds will be matched 3:1 by the NDC, bringing the total program to \$1.0 million. These funds will primarily be used for business expansion.
- **Global Initiatives Fund:** This program will be capitalized with \$250,000 in Federal Economic Development Administration (EDA) grant funds and focus on assisting small and mid-sized firms to begin or expand export activities. Through this fund, the City of Norfolk will become the first locality in the Commonwealth of Virginia to offer such a program. The Global Initiatives Fund, coupled with the City of Norfolk's recent designation as an Export-Import Bank City/States Partnership Program participant, will enable the Department of Development to become the central point in the region, with respect to global commerce.
- **Norfolk Innovation Fund:** This venture capital fund will be started with \$250,000 in CDBG funds and \$250,000 in Federal EDA grant funds for a total initial investment of \$500,000. This fund will focus primarily on providing financing for firms in the fields of technology, sustainability and resiliency, healthcare and life sciences, and will also help bolster several initiatives on entrepreneurship.

Housing Trust Fund

The Mayor's Commission on Poverty Reduction (Poverty Commission) recommended the creation of a housing trust fund as one strategy to address the lack of affordable home ownership and rental units in the city. In support of this recommendation, the Proposed FY 2016 Budget provides \$1.0 million from the General Fund to establish a Housing Trust Fund. This fund will support the construction, acquisition, rehabilitation, and preservation of affordable housing units in mixed-income developments for low-income residents.

The initial allocation of \$1.0 million will be just one component of an enhanced housing strategy to be supported by local, federal, state and private grant dollars, as well as, supported by community assistance in construction, rehabilitation, and/or purchase of homes in low to moderate income areas. The fund will serve as a call to action for other organizations and businesses to provide resources to grow the fund. This fund will have a particularly significant impact if used as gap funding for rental housing financed with Federal Low Income Housing Tax Credits, administered by the Virginia Housing Development Authority. The city will not access funds within the Housing Trust Fund until it reaches a City Council established goal.

Community Development Block Grant (CDBG) Homeowner Rehabilitation Program

Last year, I committed to a continuous review of programs to identify ways we can become more efficient and effective. As part of this commitment, a review of our return on investment from neighborhood CDBG programs was completed. CDBG funds are a diminishing resource. The city has seen a steady decline in our entitlement, from nearly \$7.0 million in FY 2001 to less than \$4.0 million in the upcoming fiscal year. As a result, it is more important than ever to ensure that we maximize the impact of dollars going directly into our neighborhoods.

The city, through the Norfolk Redevelopment and Housing Authority (NRHA), has used CDBG funds for homeowner rehabilitation for many years. The program provides low to moderate income Norfolk homeowners with affordable home rehabilitation assistance to correct code or health and safety violations, meet housing quality standards, and address exterior aesthetic improvements.

Last year, NRHA was awarded nearly \$2.2 million in CDBG funds for administration and implementation of the homeowner rehabilitation program. Nearly half of these funds were earmarked for administration and project support. We have identified the high administration and project delivery costs of this program as an opportunity for reallocation.

We determined by transferring the homeowner rehabilitation program from NRHA to the Department of Neighborhood Development, that we can substantially reduce the administration and support costs and put more money directly into our neighborhoods. In FY 2016, we will commit the same \$2.2 million to the program but will see an additional \$680,000 invested directly into our neighborhoods to help the most vulnerable residents.

Local Entrepreneurship

To nurture the spirit of entrepreneurship in the city, I propose to establish a two-year business license exemption program for new small businesses, startups, and entrepreneurs. This program will complement other city initiatives to create a more inviting business environment in Norfolk.

Under this provision, businesses meeting certain qualifications will be exempted from paying the Business, Professional, and Occupational License (BPOL) tax during the first two license years. Businesses with gross receipts of \$1.0 million or less that locate in Norfolk for the first time may receive a BPOL tax savings, ranging from \$110 to \$5,750



depending on the type and gross receipts of the business, and pay only a \$50 license fee. The program will begin January 1, 2016.

High-speed Internet

I am proposing that the city explore high-speed internet service to foster an environment supportive of entrepreneurship while improving operational efficiency for city services, Norfolk Public Schools, and community connectivity. Such service is critical to data-dependent businesses, and availability of this service within key centers across the city could encourage new businesses to choose Norfolk. The service could also enhance connectivity in the community, particularly in high density mixed-use areas as well as for Norfolk Public Schools. To help make Norfolk a vibrant, connected city in which people want to live and work, the Proposed FY 2016 Budget includes \$500,000 to begin a first phase exploration in coordination with community and business partners.

RESPONSE TO COMMUNITY NEEDS

Poverty Commission Goals and Progress

Since the Poverty Commission presented the *Norfolk Plan to Reduce Poverty* to City Council in July 2014, the Administration has worked diligently on plan implementation. The \$500,000 allocated by City Council in FY 2015 laid a solid foundation for achieving immediate progress. These funds supported recommendations in each of the four areas outlined in the plan. Of the 36 action steps outlined in the report, 27 are completed, in progress, or in the planning stage for implementation.

In the areas of Early Childhood Development and Youth Education and Career Pathways, \$215,500 was used to prepare young children for academic success and healthy development through effective early childhood services, such as the newborn screening and referral programs, and to enhance the quality of childcare programs serving Norfolk families. Another \$100,000 was dedicated for youth education and career pathway programs. These programs prepare youth and young adults to secure family-sustaining employment through effective programs like the United for Children summer enrichment program that address both in-school and out-of-school factors.

Four Critical Areas of Focus:



To help adults prepare for the workplace, \$35,000 was targeted to develop a guide for community employment and educational opportunities that will assist residents in finding opportunities to earn a living wage. Another \$149,500 was targeted to community revitalization and economic development in our neighborhoods by creating access to jobs, neighborhood amenities and quality affordable housing. A newly developed program provides monetary grants for neighborhood and commercial property improvements in emerging districts.

To continue these efforts, I am proposing \$250,000 in FY 2016 to invest in initiatives that advance the recommendations of the Poverty Commission. This enhancement will complement the resources already provided by the city departments and by our partners –schools, businesses, and community organizations - in moving this initiative forward.

Increasing Police and Fire-Rescue Diversity

Recent national events have highlighted the importance of taking proactive steps to ensure the community has trust in its public safety agencies. One issue is that the current levels of diversity in Norfolk Fire-Rescue and the Norfolk Police Department (NPD) are not representative of our city. During

FY 2015, I asked both Chiefs and the Department of Human Resources to recommend strategies to help us increase the minority applicant pool. The Proposed FY 2016 Budget includes funding to help address the problem. First, the city will partner with a job search company to ensure that Police and Fire-Rescue job postings reach the national markets. Additionally, funds have been provided to ensure that NPD and Fire-Rescue hold recruitment events and can enhance their presence at colleges and job fairs to attract qualified and interested individuals. Dedicated personnel have also been identified to assist in ensuring that these efforts are successful. Our goal is to ensure a well-trained public safety force that better represents the diverse makeup of our community.



Crisis Intervention Team

In FY 2014, the Norfolk Community Services Board (NCSB) and NPD announced the creation of a Crisis Intervention Team (CIT). The core principle of the initiative is to enhance the training of NPD officers to improve their understanding of individuals experiencing a mental health crisis. By the end of FY 2015, the Police Department and NCSB will have partnered to provide one week training sessions for approximately 200 officers. NPD also instituted a roving patrol to provide a CIT trained officer in response to all associated calls during peak times of the week. The training initiative will remain ongoing.

This initiative led to the opening of a dedicated crisis intervention center in FY 2015. The combination of emergency services counselors and CIT trained officers will provide a flexible response that will include in-house assessment, field assessment, and transfer of custody. The center was created by renovating existing city space and will be staffed by city personnel. To assist with staffing costs, the Proposed FY 2016 Budget includes almost \$223,000 in additional funds for Emergency Services Counselors, and police officer overtime. With these initiatives, we hope to reduce the incarceration rate of individuals experiencing a mental health crisis, and improve their long-term outcomes.

Animal Care

The Norfolk Animal Care and Adoption Center (NACC) cares for 400-600 animals each month. NACC will continue to explore new and innovative ways to increase adoptions and reduce the number of animals entering our shelter each year. This budget proposes \$25,000 to provide spay and neuter services to income eligible families and to combat animal overpopulation in the city. NACC continues to work closely with the Animal Protection Unit, the Animal Advisory Board (AAB), and Friends of the Norfolk Animal Care and Adoption Center to recommend policies to City Council, provide long-range planning for the animal center, and educate and inform the public about animal issues and the city's shelter.

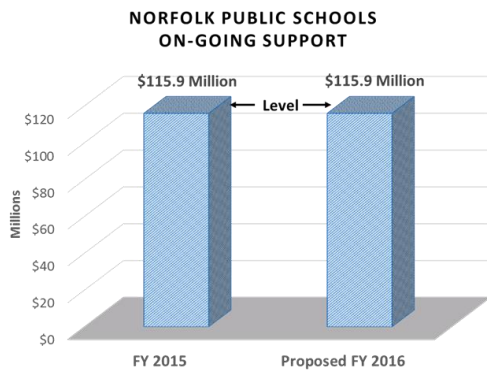
LIFELONG LEARNING

Education for all residents is a cornerstone of participatory government and economic vitality. If we are to thrive as a progressive and vibrant city, we must provide learning opportunities for our youngest children, our youth, our adults in the workforce, and our older residents. We are committed to creating diverse learning opportunities through our public schools, our own city programs, and through partnerships with non-profits and institutions of higher education.

Commitment to Norfolk Public Schools

An excellent educational system continues to be an important asset for any community. Throughout the recession and the recovery, we have increased city support to Norfolk Public Schools, despite declining enrollment and reductions in state support. Since 2007, the Commonwealth of Virginia has reduced

funding to NPS by \$16.9 million. The city met this challenge by providing an additional \$18.3 million in local support over this same time frame.



The Proposed FY 2016 Budget was developed with the understanding that we should not decrease our level of on-going city support.

Although the city has again maintained ongoing support for NPS, there are financial challenges that remain. We are committed to help in any way that we can. Together, we can partner to provide high quality education to our children.

Capital Investment in NPS

Our investment in schools is also demonstrated through infrastructure support. Since 2001, the city has funded a number of capital projects, such as Norview High School, Blair Middle School, Coleman Place Elementary School, and Crossroads Elementary School. These state of the art facilities provide a quality learning space for our students and contain some of the latest innovations and technology for learning.

In FY 2014, with an eye to future NPS capital needs, the city created the Construction, Technology, and Infrastructure program (CTI) to fund one-time capital, technology, and infrastructure improvements. For the third year of the CTI program in FY 2016, the city will dedicate \$3.4 million to NPS. With these funds, we will have dedicated \$10.2 million since FY 2014 to accelerate construction of five schools. Campostella, Richard Bowling at Broad Creek, Ocean View, Larchmont, and Camp Allen are all currently either under development or under construction. Their completion will underpin our goals of quality lifelong learning and revitalization of our neighborhoods.



The Proposed FY 2016 Capital Improvement Plan (CIP) includes \$3.0 million to address major school maintenance. This program helps preserve the lives of buildings and is based on a list of projects submitted by NPS. In total, the

city has provided \$23.8 million in capital support for school maintenance funds since 2007 to help ensure a safe learning environment for our children.

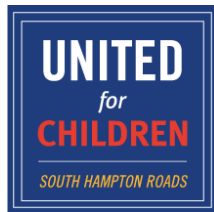
Support for Early Childhood Education

In support of the Poverty Commission's goal to strengthen early childhood education, NPS will receive \$7.3 million dollars from the Virginia Department of Education in Virginia Preschool Initiative (VPI) funds over the next four years to expand pre-school. These new resources will serve an additional 207 of our youngest students.

Another program that improves early childhood education is the Norfolk Ready By Five (NRBF) Initiative. NRBF works with the Virginia Star Quality Initiative to rate and improve the quality of the early education system by encouraging early education providers to have their staff, resources, and facilities assessed for suitability. This ensures that working parents have adequate, quality day care alternatives for their children.

United for Children

We are creating lasting impacts on education through community partnerships. United for Children is a Collective Impact initiative to stop summer learning loss which increases the learning gap. We have partnered with United Way, NPS, Eastern Virginia Medical School, Old Dominion University, Norfolk Redevelopment and Housing Authority, and the Hampton Roads Community Foundation, as well as businesses and community organizations, to assist children by focusing on education, character-building, and healthy living. In FY 2014, United for Children expanded into a second school, Tidewater Elementary. In FY 2015, they expanded into Ruffner Middle School. In FY 2016, they plan to expand into Jacox Elementary School. The goal of United for Children is to have 1,200 children in 2015 summer extended learning and enrichment through United for Children's Learning and Enrichment for Academic Progress (LEAP) initiative.



Norfolk Public Library Network for Youth

Our priority of lifelong learning is also supported by the Norfolk Public Library (NPL) network of libraries, which serve as gathering places for our neighborhoods. This network provides a broad range of resources and activities for children, youth, and adults to support their formal education through homework help, assistance with on-line research, and other materials. Fun, culturally diverse activities for informal learning also are available. These opportunities expanded with the opening of the world class Slover Library. These endeavors will be further advanced with construction of the proposed \$10.0 million anchor branch in the Broad Creek area of the city.

Youth Initiatives

To enhance lifelong learning opportunities for city youth, I am proposing \$175,000 in additional funds to support the expansion of various youth initiatives. Teaching our youth to become leaders strengthens our neighborhoods. Accordingly, these funds will expand *Norfolk Emerging Leaders (NEL)* by 50 additional youth to participate in our summer program dedicated to the development of young leaders within our communities, through professional and operational experience in city government. Support also continues for the Norfolk Leadership Program, Norfolk Coalition of Educational Excellence, youth summer camps, technology at recreation centers, and programming and youth scholarships at Norfolk State University. This funding will help our youth reach their full potential as individuals and as our next leaders.



Career and Technical Education Program

The Poverty Commission has cited youth education and career pathways as one of its four primary focus areas. The proposed Career and Technical Education Center (CTE) is the single most important education and workforce development driver for the city. Simply put, it is a game changer. CTE will prepare students for the careers that our business leaders, innovators, and entrepreneurs tell us they need. These careers are high wage, in high demand, and require a high skill level. We want our business community to help drive the curriculum and we want our students to know their efforts in the classroom will lead to a well-paid, rewarding career.

In FY 2013, we set aside \$500,000 to begin the planning process for the Center. Recent projections estimate this center will cost \$84.0 million. Going forward, this must be a collaboration between the City of Norfolk, federal government, the Commonwealth, Norfolk Public Schools, our business community, and our philanthropic and non-profit communities. I look forward to working with all of our partners to make this vision a reality and make Norfolk a leader in career and technical education.

CAPITAL IMPROVEMENT PROGRAM

The city's Capital Improvement Program (CIP) remains both an investment in facilities and infrastructure and a means to support activities that sustain our overall quality of life. Schools, Fire-Rescue stations, community centers, street lights, and bicycle sharrows are just some examples of projects supported through our CIP. Because these projects typically have a useful life of many years, their cost is spread out through debt financing and paid for by both the current and future residents who will use them.

We have worked hard to manage our CIP to an affordable level. In FY 2016, I am proposing a moderate capital plan over the next five years. This conservative approach is critical to managing debt levels that are in place due to significant and necessary capital projects approved in prior years. As another step to ensure affordability, a line of credit has been established. Unlike financing debt through the sale of bonds, a line of credit allows the city to draw down only the funds needed for projected payments, rather than borrowing for an entire project.

The FY 2016 Proposed Five Year CIP also includes a change to how large stand-alone projects are approved and displayed. In the past, large, stand-alone projects would be approved on a year-to-year basis based on annual expenditure projections. In year one of a project, funding would typically be approved for planning and design, with construction funding planned for years two and three. Beginning in FY 2016, these projects will receive approval for the entire project cost in one year. However, funds for the project will only be released based on a payment schedule. This new method won't be applied to annual on-going projects, such as roof repair. This approach is similar to how the federal government and the Commonwealth of Virginia authorizes capital projects. This is a best practice, which reduces redundant approvals, minimizes the administrative tasks associated with multiple year approvals, increases financial transparency, and allows for better management of cash flow.

The FY 2016 CIP includes a total of \$112 million for General Fund Capital projects. However, based on project timelines, it is estimated that the city will spend \$81 million in the upcoming fiscal year.

Major Capital Investments

Under the new approach, the remaining cost of \$70.8 million for the new schools has been consolidated into the FY 2016 CIP. With one completed, four under contract, and the sixth with funding in place, all projects will move forward in the coming year. Encompassing over 60 percent of the CIP, our commitment to designing and building these new schools remains the primary investment in FY 2016.

Other major capital investments in FY 2016 include infrastructure improvements to the Virginia Zoo Farm and Reptile House and the development of a boxing facility at Harbor Park. These projects will provide recreational amenities to our residents and visitors.

Neighborhood Capital Improvements

I remain committed to maintaining and improving infrastructure in the city's neighborhoods. The Proposed FY 2016 CIP continues this commitment with \$15.3 million in funding for neighborhood and infrastructure improvements. In FY 2016, it doubles funding for neighborhood street improvements from \$300,000 to \$600,000, and doubles funding for neighborhood streets and sidewalk repairs from \$250,000 to \$500,000.

Bikeable, Walkable, and Pedestrian Friendly



Norfolk is the urban center of Hampton Roads with the highest population density in the region. Our residents, through the Bicycling and Pedestrian Trails Commission, have told us they want a city that is more bikeable and walkable. We have listened. This is why I am proposing to triple the funding from \$250,000 to \$750,000 for our Complete Streets Initiative, through the Bicycle, Pedestrian Greenways, and Sharrows project. Complete Streets are designed to provide safe access for all users including pedestrians, bicyclists, motorists, and transit users, of

all ages and abilities. To support this initiative, I propose a \$5.00 increase to the motor vehicle fee in this budget to support Complete Streets. This resource will help to ensure \$750,000 annually for a total of almost \$3.8 million in the upcoming five years.

Building Assessment

Our municipal buildings serve as our gateway to interacting with residents. Ensuring their structural integrity is a key priority. During FY 2015, the city initiated a comprehensive building assessment study to determine the infrastructure and maintenance needs of 48 city buildings. Phase I of the study, which is nearing completion, will be used to develop the blueprint for a maintenance plan that will prioritize the work based on health, safety, and building use. As a first step toward this maintenance plan, the Proposed FY 2016 Budget increases the maintenance reserve by \$250,000 and provides an additional \$2.0 million in the CIP for municipal facility maintenance.

In FY 2016, the city will initiate Phase II of the study which will review the city's remaining municipal buildings, including the city jail. The jail will require a specialized assessment that goes beyond structural, plumbing, and electrical to include a full range of security concerns. However, pressing maintenance needs at the jail will be addressed with FY 2016 maintenance funds.

GOVERNMENT EFFICIENCY AND REENGINEERING

We could not achieve a structurally balanced, sustainable budget without looking at all facets of our organization and how they operate. To that end, I challenged departments to review their operations to find efficiencies and ways to reengineer in order to deliver services better or at a lower cost. This budget includes a savings of \$3.3 million identified by departments through reengineering strategies. In addition to these savings, these departments found innovative ways to improve service and efficiency. Public Safety, Constitutional Officers, Council Appointees, Judicial departments, and Norfolk Public Schools were exempted.

For example, the Office of the Purchasing Agent is reducing the procure-to-pay timeframes, increasing contract savings through negotiations on price and other non-price factors, increasing utilization of small, women and minority-businesses, and increasing training opportunities for internal and external customers related to procurement. These actions will make us a more efficient government and will make our procurement processes more accessible to our business community.

BECOMING AN EMPLOYER OF CHOICE

ARMD Phase I – FY 2015

Recruiting and retaining qualified employees is key to an efficient, effective, and responsive government. In FY 2015, I proposed a three year initiative to address the most critical issues impacting employee recruitment and retention. Phase I of the initiative was fully implemented in January 2015

and was primarily built around addressing pay inequities, addressing poverty, and improving employee compensation both now and in retirement.

One of the inequities the city addressed during Phase I was how our employee salaries compared to other cities in the region. We addressed this by conducting an internal comparison of the city's job classifications to similar classifications in the region. As a result of this study, the FY 2015 Compensation Plan increased the minimum and maximum pay of 98 job classifications. As a direct result of this action, 335 employees in the most regionally out-of-market jobs received an average salary increase of almost \$2,000.

As another initiative to align ourselves with our neighboring localities, who are part of the Virginia Retirement System, FY 2015 included a retirement contribution requirement for employees who were not contributing to the Norfolk Employees Retirement System (NERS). This resulted in an increased monthly benefit for retirement and an apples-to-apples salary comparison to other Virginia localities, who have made the same adjustment for their employees.



Aside from regional inequities, Phase I also focused on poverty reduction. In FY 2015, for the first time, we instituted a permanent employee living wage. As of today, the minimum permanent employee hourly rate is \$11.47, which on a full-time basis is equal to the federal poverty rate for a family of four. As a result of this action, 90 of the city's lowest paid permanent employees received an average increase of five percent.

In addition to specific initiatives to combat regional inequity and poverty, Phase I also included a two percent General Wage Increase (GWI) for general and Constitutional Officer employees. Sworn employees received a step increase for the first time since FY 2009. The approximately 1,400 sworn Police, Fire-Rescue, and Sheriff employees who were awarded a step increase received an average increase of \$1,300. Excluding the retirement conversion, the city added almost \$4.6 million in annual costs in FY 2015 to increase take-home pay for employees.

Finally, Phase I also included a Deferred Retirement Option Program (DROP). A DROP was requested by sworn Police and Fire-Rescue personnel for more than ten years, and in FY 2015, we worked with our actuaries on a structure, changed the retirement section of the City Code, and were able to finally implement the program. DROP allows retirement eligible sworn Police and Fire-Rescue personnel an opportunity to continue working for the city, while accruing a portion of their retirement benefit. The benefit is payable as a lump sum upon termination with the city. As of mid-April, 48 sworn officers are currently enrolled in the program.

ARMD Phase II – FY 2016

In FY 2016, the primary goals of ARMD Phase II include continuing the programs and momentum of Phase I, and enhancing our employee development opportunities. Many of FY 2015's actions will be repeated in FY 2016. Beginning in January 2016, Phase II includes:

- A two percent general wage increase for non-sworn employees, including Constitutional Officer and temporary employees;
- A step increase for sworn employees of Police, Fire-Rescue, and Sheriff;
- A salary range increase for 45 of the city's most regionally out-of-market classifications; and
- A continuation of DROP.

Additionally, the city will continue to combat employee poverty in two ways. First, the permanent employee living wage will be increased by 19 cents to \$11.66 an hour. On a full-time basis, this increase is equivalent to \$400 annually and again aligns the city's permanent employee living wage with the federally reported poverty rate for a family of four.

I am also proposing an additional one percent GWI or a total of a three percent increase for city employees in the lowest eight general employee pay grades. These eight pay grades encompass over 1,000 active employees who currently earn an average salary of \$30,000, and who all earn less than \$50,000 annually. These are our Equipment Operators, Maintenance Workers, Refuse Collectors, Groundskeepers, and many other positions that keep the city running.

Professional Development Opportunities

Aside from compensation, Phase II will focus on enhancing the city's professional development opportunities. It is also important to make employees aware of the wonderful opportunities that we already offer. For instance, the Master Police Officer program awards officers with up to \$6,000 annually for meeting certain education, certification, performance, and training goals. The Master Firefighter Program awards Fire-Rescue personnel with additional steps for meeting goals. The city invested over \$500,000 in these two programs alone in FY 2015.

The Tuition Reimbursement Program is another program that is offered to the city's employees. The program provides \$100 per undergraduate credit hour, up to nine, and \$125 per graduate credit hour, up to six. The courses must be job-related and employees must maintain grade requirements for reimbursement.

The Supervisor's Leadership Academy is another training opportunity the city offers. Since its inception in 2012, we held a total of seven academies. During each eight week program, current and potential city supervisors are provided with information designed to increase their positive impact on employees and the overall organization. There are 18 course topics covered which include performance management, conflict resolution, and employee engagement. To date, 181 participants have graduated and the feedback has been very positive. For FY 2016, we will add opportunities for future supervisors to participate to prepare them for upcoming responsibilities.

Finally, FY 2016 will include the expansion of the recently created Culture of Team Norfolk Initiative. We began this training series in March 2015 with a session presented by the City Auditor and the Department of Human Resources to the Leadership Team on *Ethical Fitness: Setting the Tone at the Top*. It will be rolled out through the year to all city employees. The Culture of Team Norfolk training program will include a series of training modules geared towards promoting a professional environment and ethical culture throughout the city.

CONCLUSIONS AND NEXT STEPS

The Proposed FY 2016 Budget focuses on our priorities and provides the foundation to move forward together. It supports the goal of lifting all our residents out of poverty through neighborhood revitalization and innovative economic development initiatives. It makes us a more Well-Managed Government by creating a culture of innovation and improvement among all city employees.

In December 2013, I established a multi-department structure for policy research, coordinated by the Office of Budget and Strategic Planning. The results of the research that is completed by the policy teams creates on-going efficiencies which are reflected in our operations and in cost savings. For example, in the current year, we consolidated the real estate and property management functions under one umbrella. In the coming year, we will continue the process improvement by developing a one-stop repository of real estate data.

As we move forward, I have identified additional areas of study and we will continue the in-house analysis with a focus on communications and technology, improvement and coordination of procurement activities, improved management of our grants, and a strategic plan for facility maintenance needs.

We have completed major reengineering efforts of our city departments and streamlining service delivery. Our next task is to chart a course for continuous improvement. In FY 2016, we will carry on our reengineering efforts and augment it with an ongoing examination of our processes to identify improvements and eliminate problems before they occur. As we have maximized our efficiency savings and redirected all existing resources, we have now reached the point where we must identify other sources of support to take on new initiatives.

The Proposed FY 2016 Budget also includes \$1.0 million in undesignated funds. As a sound financial practice, I recommend that the funds be used to increase capacity in the city's Economic Downturn or Risk Management reserves. If the funds will not be used in this manner, then it is important the resources be spent on a one-time expenditure to maintain financial stability in FY 2017.

In closing, I share with you this thought from the Alliance for Innovation – *resiliency is not found within the specific efforts of a government but rather it emanates from the community itself*. For this budget and the priorities to truly be successful we must have the commitment of our residents, businesses, faith based communities, and schools to marshal this budget. Together, with fortitude, spirit and will, we pave the way to continue our financial success into the next year and the future.

Sincerely,

A handwritten signature in black ink, appearing to read "Marcus D. Jones". The signature is fluid and cursive, with the first name "Marcus" being more prominent and the last name "Jones" following in a similar style.

Marcus D. Jones
City Manager